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interested in this?

- J. NO

EXECUTIVE SECRETARIAT
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TO:

		ACTION	INFO	DATE	INITIAL
1	DCI				
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3	EXDIR				
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SUSPENSE		Date			

Remarks



Executive Secretary

12/21/83

Date

83-6155
DDI- 9192/83



OFFICE OF THE SECRETARY OF THE TREASURY
WASHINGTON, D.C. 20220
December 20, 1983

UNCLASSIFIED
(With Secret Attachment)

MEMORANDUM FOR THE VICE PRESIDENT
THE SECRETARY OF STATE
THE SECRETARY OF DEFENSE
THE SECRETARY OF AGRICULTURE
THE SECRETARY OF COMMERCE
THE DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET
✓ DIRECTOR OF CENTRAL INTELLIGENCE
UNITED STATES TRADE REPRESENTATIVE
ASSISTANT TO THE PRESIDENT FOR NATIONAL SECURITY
AFFAIRS
ASSISTANT TO THE PRESIDENT & DEPUTY TO THE CHIEF
OF STAFF
ASSISTANT TO THE PRESIDENT FOR CABINET AFFAIRS
CHAIRMAN, COUNCIL OF ECONOMIC ADVISORS
ASSISTANT TO THE PRESIDENT FOR POLICY DEVELOPMENT
ADMINISTRATOR, AGENCY FOR INTERNATIONAL DEVELOPMENT
CHAIRMAN, EXPORT-IMPORT BANK

SUBJECT Senior Interdepartmental Group on
International Economic Policy

Attached are the minutes of the SIG-IEP meeting held on
November 23.

Christopher Hicks
Executive Secretary and
Special Assistant to the Secretary

Attachment

UNCLASSIFIED
(With Secret Attachment)



SENIOR INTERDEPARTMENTAL GROUP-INTERNATIONAL ECONOMIC POLICY

11:00 a.m.
November 23, 1983
Indian Treaty Room, Room 474, OEOB

Participants:

Treasury
Secretary Regan, Chairman
Marc Leland

State
W. Allen Wallis
Dennis Lamb

Defense
David Shilling
Dave Tarbell

Agriculture
Richard Lyng
Daniel Amstutz

Commerce
Lionel H. Olmer

OMB
David Stockman
Alton G. Keel

CIA

USTR
Ambassador Brock
Harvey Bale

Cabinet Affairs
Larry Herbolsheimer

OPD
Roger Porter

CEA
Martin Feldstein

AID
M. Peter McPherson
Richard Derham

Ex-Im Bank
William Draper
Raymond Albright

NSC
William Martin

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Export Credits and International Debt

The Chairman introduced the first agenda item on export credits and international debt. Marc Leland reviewed the highlights of an IG report on the role U.S. Government trade finance programs might play in responding to countries experiencing extraordinary liquidity problems. In particular, the report examines existing programs of the Export-Import Bank, Commodity Credit Corporation (CCC), the Economic Support Fund (ESF), and the Foreign Military Sales program (FMS) to determine how they can be adapted to support efforts to address extraordinary individual LDC debt problems. The paper concludes these programs should continue to be used in extending extraordinary financing to respond to the LDC debt crisis. The paper also notes that we should take precautions to ensure that Eximbank and CCC programs are reasonably assured of repayment before approving a transaction.

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Marc Leland asked that the SIG-IEP bless the paper and that a budget review meeting be called promptly to review the budget levels for CCC and Eximbank. David Stockman took strong exception to the paper and the procedure outlined. He noted that these programs were generally out of control and that there was no reasonable rationale for funding even more credits and at the same time argue so strenuously for further domestic spending cuts. He noted that an extraordinary budget meeting was not necessary. This matter could be handled within the normal review process meeting with the President now scheduled for December. Furthermore, he emphasized that we did not have adequate means to assess the ability of the debtor nations to repay loans. Ambassador Brock also noted the problems with the Hill with extending more credits. Considerable political capital had been used to fund the Administration's request for higher levels of support for the IMF.

The Chairman noted that there are important national security concerns for providing credits for strategically valuable allies. He noted that the NSC had requested tailor made financing packages to assist Mexico, Brazil, the Philippines and Jamaica. He agreed with OMB that the IG should further consider the issue of repayment.

During the discussion, the State Department, AID, Agriculture and NSC representatives noted their support for the general conclusions of the paper.

IDA VII

The Chairman then introduced the next agenda item, U.S. participation in IDA VII. The IDA VII negotiations began in November 1982, for the purpose of arranging financing for IDA operations in the period after July 1, 1984. Negotiations are now at a decisive state. The key issue for SIG consideration was the level of U.S. participation. Since December 1981, the budget has included \$750 million as the out year planning number for future U.S. contributions to IDA. This level of funding has been widely criticized by other countries, although a number of other donors also have budgetary constraints. Under Secretary Wallis noted that Secretary Shultz believes that a U.S. contribution on the order of \$950 million would be desirable. AID concurs with this view. Most other SIG-IEP participants argued strongly that this is unrealistic given the political realities on the Hill. The Administration expended enormous effort to increase the size of our contribution to the IMF, and a level of \$750 million annually for IDA will be very hard to achieve. The Chairman concluded the discussion by mandating that an issue paper be prepared for the NSC laying out the options and implications.

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